

August 13, 2014

Net profit in the second quarter of this year: NIS 302 million

Compared to NIS 245 million in the corresponding period last year

23.3% growth

Return on equity in the second quarter: 12.3%

Net profit in the first half of this year: NIS 566 million

Compared to NIS 525 million in the corresponding period last year

7.8% growth

Return on equity in the first half: 11.5%

Financing revenues from current operations in the second quarter: NIS 821 million

Compared to NIS 782 million in the corresponding period last year

5.0% increase

Cost-Income Ratio 59.0%

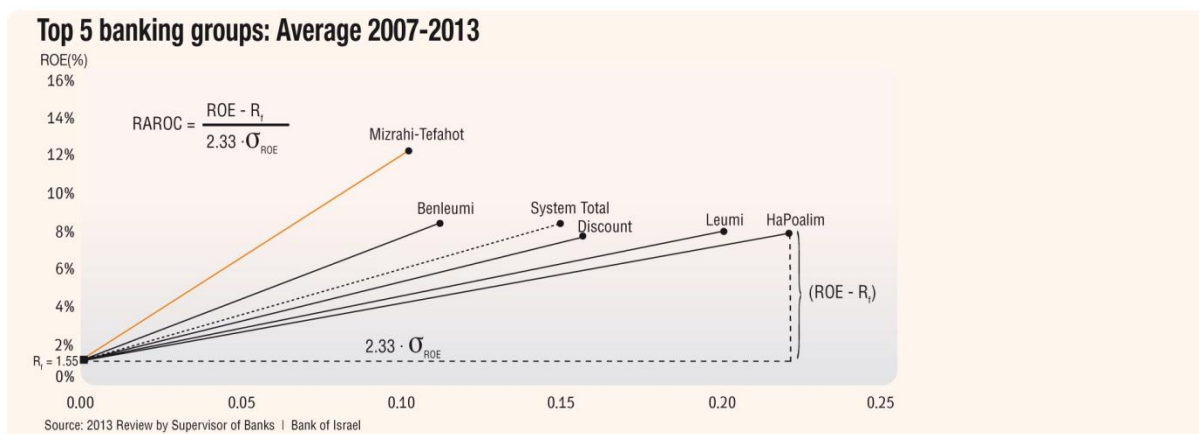
Ratio of Tier I capital to risk elements (in Basel III terms) 9.0%

Improved profitability with capital base growth

Mizrahi-Tefahot shareholder equity at the end of the second quarter of 2014 amounted to NIS 10.4 billion - an increase of 11.5% over the corresponding period last year. The expanded capital base allowed the Bank to reach a Tier I capital ratio of 9.0%, as required by the Bank of Israel, six months ahead of schedule. Therefore, in view of challenging macro-economic conditions, including further lowering of the Bank of Israel interest rate to 0.75%, compared to 1.25% at the end of the second quarter of 2013, the return achieved by the Bank in the second quarter, at 12.3%, is a notable achievement.

The Bank with the best risk / reward correlation

The risk-adjusted return on capital (RAROC) benchmark is one of the key benchmarks used by the Bank of Israel to measure performance of the banking system over the years. The 2013 review issued by the central bank indicates that Mizrahi-Tefahot has consistently presented over recent years the highest return on equity, the lowest risk and the best correlation between these two figures - of the entire banking system.



Continued growth in retail loans

At the end of the second quarter of 2014, Bank loans to the public amounted to over NIS 143.3 billion – an increase of 7.9% over the corresponding period last year.

The increase was primarily due to retail banking, which is typically well diversified with lower associated risk. Retail lending at the Bank, which includes loans to households, to small businesses and mortgages, increased overall by 10.2% (an increase of 5.3%, 12.1% and 11.2%, respectively) over the corresponding period last year, amounting to NIS 116 billion.

Eldad Fresher: NIS 302 million profit in the second quarter means a record quarter, reflecting continued growth by Mizrahi-Tefahot in a range of operating segments

"Net profit amounting to NIS 302 million in the second quarter of 2014 means a record quarter for us, reflecting the fact that Mizrahi-Tefahot continued to grow its range of operating segments, with consistent, impressive growth in its customer base as well as in branch presence and service-oriented staff - which is opposed to the current trend in the banking system. The Bank's reported return on equity for the second quarter, at 12.3%, is also a notable positive, given the expansion of the capital base and the early achievement of Tier I capital ratio of 9.0% in Basel III terms, and given the continued lower interest rate and implications of regulatory measures on Bank operations in various areas.

The expansion of Bank business is reflected in financing revenues from current operations, which in the second quarter of this year amounted to NIS 821 million, or 5.0% increase over the corresponding period in 2013, as well as positive evolution of all balance sheet items: Balance sheet total in the second quarter amounted to NIS 188.1 billion, an increase of 10.3% over the corresponding period last year; loans to the public amounted to NIS 143.3 billion, compared to NIS 132.8 billion in the corresponding period last year, an increase of 7.9%; deposits from the public increased by 9.1%, amounting to NIS 148.1 billion, compared to NIS 135.7 billion in the second quarter of 2013 - with further improvement of the ratio to loans to the public, while the Bank's shareholder equity at the end of the second quarter increased by 11.5%, amounting to NIS 10.4 billion.

The Bank continued to maintain expense discipline, with operating and other expenses for the first half of 2014 increasing only by a moderate 3.6%. This resulted in improvement of the Bank's Cost-Income Ratio, which declined in the second quarter of 2014 to 59.0%.

Despite the strong competition and uncertainty in the banking sector in recent months, due to Government proposals such as 0% VAT and target price tenders, Mizrahi-Tefahot continued to maintain its leadership position in the mortgage market. In the first half of 2014, Bank performance in housing loans was at 36%. This success, which is due to the professional skills and expertise of our mortgage bankers and the resulting brand power of Tefahot, achieved concurrently with maintaining a conservative underwriting policy, continued reduction of LTV ratio and consistent improvement of the loan repayment to income ratio, along with strict review of the portfolio risk component, even under scenarios of higher interest rates and deterioration in the economy," said **Bank President, Eldad Fresher**.

Mizrahi-Tefahot Bank Ltd.
Highlights of financial statements
As of June 30, 2014 - NIS in millions

Major balance sheet items

	June 30,		Rate of change
	2014	2013	in %
Loans to the public, net	143,353	132,853	7.9
Deposits from the public	148,063	135,699	9.1
Equity (attributable to equity holders of the banking corporation)	10,418	9,341	11.5
Balance sheet total	188,158	170,603	10.3

Profit and Profitability

	June 30,		Rate of change
	2014	2013	in %
Total financing revenues before expenses with respect to credit losses	1,715	1,756	(2.3)
Commissions and other revenues	702	741	(5.3)
Total revenues	2,417	2,497	(3.2)
Expenses with respect to credit losses	18	215	
Operating and other expenses	1,474	1,423	3.6
Net profit attributable to equity holders of the banking corporation	566	525	7.8
Net return on equity	11.5%	11.9%	

Financial ratios

	June 30,	
	2014	2013
Credit to the public to balance sheet total	76%	78%
Deposits from the public to balance sheet total	79%	80%
Deposits from the public to loans to the public, net	103.3%	102.1%
Capital to balance sheet total	5.5%	5.5%
Expenses with respect to credit losses to loans to the public, net (annualized)	0.06%	0.55%
Cost-income ratio		
For the second quarter:	59.0%	54.8%
For the first half:	61.0%	57.0%
Ratio of Tier I capital to risk elements	9.00%	8.74%
Total ratio of capital to risk elements	13.05%	12.89%